Office of Inspector General
EXPORT-IMPORT BANK *of the* UNITED STATES

SEMIANNUAL REPORT TO CONGRESS

August 6, 2007 – September 30, 2007
First Semiannual Report

811 Vermont Avenue, NW, Suite 978
Washington, DC 20571

Telephone 202.565.3923
Facsimile 202.565.3988

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I am pleased to present the first *Semiannual Report to Congress* of the Office of Inspector General (OIG) of the Export-Import Bank of the United States (ExIm Bank). I was sworn in as ExIm Bank's first Inspector General on August 6, 2007. This report reflects the results of the assessment and planning activities undertaken during the period ended September 30, 2007, rather than ongoing audit and investigative results that would be reported by an up-and-running OIG, but which had not commenced here during the reporting period.

The ExIm OIG's activities during the months of August and September 2007 were focused on (i) gaining an understanding of ExIm Bank's programs and systems through interviews with the Board of Directors and senior management and review of relevant Bank documentation, (ii) developing preliminary views of the particular program, operational and financial opportunities, challenges and risks facing ExIm Bank and (iii) reaching out to other members of the inspector general community for advice and support relative to organizing the ExIm OIG and preparing to commence operations.

The ExIm Bank OIG has identified two strategic objectives for the 2008 fiscal year that are aligned with the OIG's central mission under the Inspector General Act of 1978:

- Improve the economy, efficiency and effectiveness of ExIm Bank export credit programs and operations.

- Promote integrity among all participants in ExIm Bank's export credit programs and operations.

Once the ExIm Bank OIG has completed the recruitment of audit and investigative staff, its operations will be expected to benefit the Bank's mission of supporting American jobs through exports of American goods and services, and the Bank's accountability obligations to the President, the Congress and the American people, by contributing to: (i) reduced risks and increased integrity in ExIm Bank's export credit programs and operations; (ii) improvement of efficiency and effectiveness in the delivery of ExIm Bank export credit programs; (iii) enhancement of internal controls; and (iv) improved transparency and accountability in ExIm Bank decision-making.

I look forward to reporting to the Congress in 2008 that the ExIm OIG has commenced operations and has begun conducting audits and investigations as contemplated by the Inspector General Act of 1978 in support of the Bank's mission.

Sincerely,

Michael W. Tankersley

Michael W. Tankersley
Inspector General

Initiation of Exim OIG

The Office of the Inspector General (OIG) of the Export-Import Bank of the United States (Exim Bank) began its existence on August 6, 2007 with the swearing in of Exim Bank's first Inspector General. During the months of August and September 2007, the Exim OIG's activities were focused on (i) gaining an understanding of Exim Bank's programs and systems through interviews with the Board of Directors and senior management and review of relevant Bank documentation, (ii) developing preliminary views of the particular program, operational and financial opportunities, challenges and risks facing Exim Bank and (iii) reaching out to other members of the inspector general community for advice and support relative to organizing the Exim OIG and preparing to commence operations.

Active Initiatives

The Exim OIG was required to respond to several statutory mandates during its initial months of operation, as well as other requirements that could not be delayed. These included:

Annual FISMA Review. Participation in the review of the security of the Bank's information systems required by the Federal Information Security Management Act. This was completed with support from the staff of the Bureau of Public Debt.

Annual External Audit. The Bank's external audit commenced in late July 2007, using Deloitte & Touche LLP. The Exim Bank OIG with support from staff of the Small Business Administration is monitoring the conduct of the audit and will participate in completing the annual audit process, without providing assurance this year in view of the limited time and available staff to do the supporting work required to provide a higher level of assurance.

Report to Congress Regarding Trinidad Ethanol Project. In 2005 Congress directed that the Exim Bank Inspector General "provide a written analysis to the Committees on Appropriations and other appropriate committees, including the Senate Finance Committee, within 90 days of appointment as to whether loan guarantees provided to an ethanol dehydration plant in Trinidad and Tobago met the conditions of section 2(e)(4) of the Export-Import Bank Act of 1945 or any provision in the Bank's charter" and related questions. The Exim Bank OIG with support from the FDIC OIG commenced work on the requested analysis (Ethanol Project Report) and plans to deliver the result to the Congress on November 5, 2007.

Audit in Response to GAO Report on Economic Impact. Management has requested that the Exim OIG undertake a review of the recommendations made in a report prepared by the U.S. Government Accountability Office (GAO) *Export-Import Bank – Improvements Needed in Assessment of Economic Impact* (GAO-

07-1071) (September 2007 GAO Report), which addressed the Bank's economic impact procedures, and its findings in preparing the Ethanol Project Report referenced in the preceding paragraph and provide management with focused recommendations for improvements to the Bank's economic impact review policies and procedures. This project has been undertaken in parallel with the Ethanol Project Report.

Investigation of Fraud Allegations. The Exim Bank OIG with support from the FDIC OIG has undertaken to work with Exim Bank personnel and the Department of Justice to investigate allegations of fraud relative to certain transactions completed by the Bank and to assist in developing evidence to support civil and criminal fraud actions against the responsible parties.

Assessment of Exim Bank Audit Universe. The Exim Bank OIG has undertaken preliminary work, with advice support from other members of the IG community, to identify and prioritize audit and evaluation subjects relative to the Exim Bank's operations and financial reporting that would assist Exim Bank by (i) reducing risks and increasing integrity in Exim Bank's export credit programs and operations; (ii) improving the efficiency and effectiveness in the delivery of Exim Bank export credit programs; (iii) enhancing the Bank's internal controls; and (iv) improving transparency and accountability in Exim Bank decision-making.

Planned Actions for FY 2008

Among the Exim Bank OIG's priorities for the 2008 fiscal year are:

Launching the Exim Bank OIG website and hotline.

Meeting with Exim Bank staff to explain the OIG's function and encourage their support of OIG objectives.

Hiring experienced audit and investigations staff and developing policies and procedures to support the operation of the Exim Bank OIG.

Working with the Audit Committee of the Exim Bank Board of Directors to improve the Bank's internal controls and program processes.

Executing a robust audit plan focused on Exim Bank's areas of greatest need and benefit, based upon the assessment of the Exim Bank OIG and consultation with management and the Board of Directors.

Taking on active management of Exim Bank's annual audit.

Working an active caseload of investigations of potential loan and contracting fraud and other wrongdoing, and supporting the Department of Justice prosecutions.

Responding to requests from Congress for information and reports.

Reviewing and providing comments on statutory changes and policies and procedures proposed by Exim Bank or affecting Exim Bank programs or operations.

Statistical Data

The statistical data required to be included in Inspector General Semiannual Reports by the Inspector General Act of 1978 is omitted due to the recent initiation of operations of the Exim Bank OIG.